AMP Dynamic Balanced

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

The investment objective of the portfolio is to outperform the median of the Chant West growth fund survey over the investment horizon of the fund (7 years). The portfolio aims to provide the investor with a cost-effective investment across the main asset classes with higher exposure to growth assets. Exposure to these will be attained predominantly through the use of index-focussed investment managers. A portion of the portfolio (30%) also runs a dynamic asset allocation investment approach which aims to achieve growth by adopting a flexible approach to asset allocation. This portion of the portfolio will have exposure to assets such as shares, listed property, commodities, fixed income, credit and cash through derivatives, exchange traded funds or index funds.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	7 years
Relative risk rating	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Fixed Interest	N/A
Australian Shares	N/A
Cash	N/A
Growth Alternatives	N/A
International Fixed Interest	N/A
International shares	N/A
Listed Property and Infrastructure	N/A

Actual Allocation	%
International Shares	29.31
Australian Shares	20.97
Cash	13.80
International Fixed Interest	10.84
Listed Real Assets	9.18
Australian Fixed Interest	8.97
Alternative Assets	6.97

Fund Performance

The Fund delivered a solid return in June quarter, continuing the Fund's positive start to 2019. There were various contributions to the Fund's positive return over the period. These included developed-market equities, commodities, emerging-market bonds and government bonds. Gold, in particular, which is a core high conviction position and represents a sizeable 10% allocation in the portfolio, had a significant breakout to reach its highest level in six years. This was driven by dovish central banks, which saw negative yielding sovereign debt continue to rise. Sovereign debt however remains an effective safe-haven from continued geopolitical tension and trade war headlines. Finally, emerging-market bonds also contributed to the return. The asset class remains an effective and risk-controlled way to implement the team's positive view towards emerging markets.

In the current environment, it's important for the Dynamic Markets Fund component of the portfolio to stay nimble and utilise the Fund's flexibility, especially during these periods of low volatility, which can lead to investor complacency and leave the market vulnerable to sharp sell-offs. Whilst there was a lack of detail, a high-level commitment between the US and China to re-engage opens the door for a relief rally (in the absence of any further escalation or negative headlines) in the lead up to the next Fed meeting at the end of July. To enable the dynamic markets portfolio to participate in the potential upside, while simultaneously controlling the level of downside risk, the dynamic markets team are looking to selectively allocate to cyclical, value areas of the market which we believe are likely to outperform in a rising bond-yield environment. These include financial and energy sectors, as well as Japan and emerging markets. We would likely implement these trades with stop loss orders. Trade war uncertainty is likely to continue to drive market volatility. The team continues to closely monitor this, alongside rising geopolitical tension between the US and Iran, continued threats of tariffs towards Europe and the start of the US earnings season.

Market Review

Global equities remained resilient during the quarter, despite the International Monetary Fund downgrading global growth forecasts. However, the risks around growth and the strong gains in shares this year have increased the probability of a correction. Central banks are retaining their bias towards accommodative measures as visibility on growth fades.

Despite the rise in equity values, there has been some flight-to-safety as trade war and geo-political risks increase, and this has seen bond yields fall, resulting in a positive correlation between bond and equity prices.

Despite the ongoing global trade tensions, hopes remain that a practical and sustainable resolution to the US-China dispute will be reached. However, market optimism is fragile and there remain significant risks. The US's approach appears to be widening in scope if anything, with its removal of India's preferential trade status and associated implementation of tariffs. In addition, the potential for armed conflict between the US and Iran has heightened the geo-political risk environment. There were thus great expectations for positive communications and outcomes for world trade at the G20 meeting in Japan at the tail-end of the quarter, particularly from sideline talks between country heads.

Availability

Product Name	APIR
AMP Flexible Super - Retirement account	AMP2057AU
AMP Flexible Super - Super account	AMP2058AU

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